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ABSTRACT

The major maintenance programs, changes brought about by the 1981 Omnibus Reconciliation Act, and the effects on students or prospective students are described. Attention is directed to Social Security, Aid to Families with Dependent Children (AFDC), Medicaid, food stamps, public housing assistance, the Comprehensive Education and Training Act (CETA) and vocational rehabilitation. No one enrolling in college after April 30, 1982, will be eligible for Social Security, and due to other changes passed by Congress in 1981, Social Security student benefits will be considered as direct student aid rather than family income in the formula for determining eligibility for Pell Grants. Many students who receive Social Security benefits will find their eligibility for Pell Grants reduced. Federal AFDC payments on behalf of 18-21 year olds in college are eliminated. Additionally, new AFDC regulations may preclude college study by parents if class attendance is viewed as requiring excessive absence from child, and many recipients who are parents of older children may be required to take jobs rather than attend college. With regard to food stamps, the 50,000 students currently receiving benefits will experience reductions similar to those of other recipients. With a few exceptions, students 18-21 years old will lose their AFDC eligibility and consequently will lose Medicaid coverage, and states are likely to reduce or eliminate such coverage. New regulations also lower eligibility of families with students for housing subsidies and discourage dependents' full-time students from working. All CETA public service employment is eliminated, and youth employment and adult training are continued at reduced levels. (SW)

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Income Maintenance Programs and College Opportunity

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Janet S. Hansen, Associate Director for Policy Analysis, wrote this report, with the assistance of Beatriz (Toni) Clewell. David Rosen did much of the research on which the report is based. The research and the report are part of a project funded by a grant from the Ford Foundation to the Washington Office of the College Board, Lawrence E. Gladieux, Executive Director.

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Postsecondary opportunities, particularly for the disadvantaged, are potentially threatened by federal budget cuts not just in student aid but in the entire range of income security programs.

Most federal assistance available to help students meet college costs comes through grant, loan, and work/study programs created explicitly to aid individuals unable to pay for higher education on their own. At the same time, the federal government helps to maintain the incomes of individuals suffering from various disadvantages: poverty, physical handicap, unemployment, death of the family breadwinner, and so forth. When beneficiaries of one or another of these income maintenance programs contemplate enrolling in college, their ability to handle the costs is affected by the rules and regulations of the programs from which they have been receiving support.

For students and indirectly for institutions of higher education, recent reductions in income maintenance programs mean an additional loss of resources. Counselors, financial aid administrators, and college officials planning institutional budgets will need to take account of these changes in the period ahead.

The Washington Office of the College Board has produced several reports describing changes in student assistance programs and their likely effects. In this analysis we provide information about the impact of recent changes on students or prospective students receiving support from the major income maintenance programs: Social Security, Aid to Families with Dependent Children (AFDC), Medicaid, Food Stamps, public housing assistance, the Comprehensive Education and Training Act (CETA), and vocational rehabilitation aid. We focus primarily on provisions of the 1981 Omnibus Reconciliation Act, though we sometimes refer to other recent developments or to long-standing provisions that affect access to postsecondary education for the disadvantaged.

In February 1982, President Reagan proposed another round of federal budget cuts, including further reductions in many of the programs discussed in this paper. We do not report on his proposed changes here, as Congress has yet to act on them.

The following pages discuss each of the major income maintenance programs, the changes brought about by the Reconciliation Act, and their effect on students or prospective students. The chart on pages 7 and 8 provides a summary of this information for easy reference.

Social Security

Students and prospective students will be most affected by changes in Social Security restricting aid to dependents over the age of 17. Created in 1965, the program of Social Security student benefits had grown to dwarf all but the largest direct student aid programs. In March 1981, approximately 880,000 students aged 18-21 were enrolled in the program. Roughly 80 percent of these students were in postsecondary education. Based on death, disability, or retirement of a parent eligible for Social Security, these individuals received an average benefit of $259 per month (in 1981) as long as they were full-time, unmarried students under age 22. The annual cost of benefits for postsecondary students was variously estimated at $1.7 billion to $2 billion.

The Reconciliation Act phases out Social Security student benefits over the next four years. No individual will be eligible if he or she enrolls in college after April 30, 1982. Anyone receiving benefits for the first time after August 31, 1981, will be dropped from the program in July 1982. Other current beneficiaries will continue to receive Social Security assistance until they leave school or reach 22, but their benefit levels will be cut by 25 percent each year from their 1981 levels (beginning in September 1982) and they will not be eligible for the cost-of-living increases customarily given Social Security recipients each year. Moreover, students will not be paid benefits for the months of May, June, July, or August each year, regardless of whether or not they are actually in school. This provision takes effect in May 1982.

Students who continue to receive Social Security payments may find their eligibility for student aid, especially Pell Grants, reduced in 1982-83. Congress has changed the way Social Security benefits are treated in determining eligibility for Pell Grants. In past years, these benefits were included in family income, and only 10.5 percent of this income was assumed to be available to pay college costs. For 1982-83, Social Security student benefits will no longer be considered in determining the family's expected contribution from income. They will, however, be considered as direct aid available to the student. The total of the Pell Grant, expected family contribution, Social Security benefits, and other aid may not exceed the student's cost of attendance. Pell Grants will be adjusted accordingly.

Aid to Families with Dependent Children (AFDC)

Two kinds of AFDC recipients have enrolled in college: dependents below the age of 22 and adults receiving AFDC benefits because they are taking care of dependent children. Both groups may find their ability to attend college affected by recent changes in AFDC provisions.

Until passage of the Reconciliation Act, the AFDC program gave states two options for covering dependent children over 17. States could cover no one over 17 or all 18-21 year olds in regular attendance at a secondary or vocational school, college, or university. All but 11 of the 50 states elected to cover 18-21 year olds, and an estimated 170,000 such students were receiving benefits in 1979.

The Reconciliation Act eliminated federal AFDC payments on behalf of 18-21 year olds enrolled in college. States may now choose not to cover anyone over 17 or to cover 18 year olds who are full-time students in secondary school or the equivalent level of vocational or technical training and who expect to complete the program before turning 19. As with other benefits, states may continue to cover AFDC dependents in college solely from state funds, but few are likely to do so. Thus, dependents will lose AFDC eligibility on their eighteenth birthdays if they are not in secondary or vocational education. Their families could lose as much as $800 annually when their AFDC eligibility ends.

AFDC adult recipients will be affected by new work requirements and by tighter restrictions on other income (which in some states can include certain student aid). The most significant effect on AFDC recipients interested in postsecondary education may come from new work requirements for parents of young children. The Reconciliation Act says that the parent or other relative personally providing care for a child under the age of six shall be allowed only "very brief

and infrequent absences" from the child. Otherwise, the parent is required to register for "manpower services, training, employment, and other employment related activities." This provision may effectively preclude parents of young children from enrolling in college, since class attendance could be viewed as more than brief absences from the child.

In the past, parents of older children were expected to be available for employment, but in practice jobs for them frequently did not exist and AFDC administrators sometimes allowed or even encouraged college attendance as part of approved training programs. A heavier emphasis on "workfare" in the Act may result in more AFDC recipients being required to take some sort of job rather than attend school. Under Reconciliation, states are allowed to establish Community Work Experience Programs, where AFDC recipients are required to work in community service agencies without additional compensation. States may also create Work Supplementation Programs, in which they reduce AFDC grants in order to obtain funds for jobs to be made available to AFDC recipients on a voluntary basis.

Stricter limitations on earned income may also affect students, particularly in states where student aid funds have been counted as family income in determining AFDC eligibility. One new limitation involves the so-called "30 and 1/3" rule. Before Reconciliation, working AFDC recipients were allowed a disregard of $30 per month plus one-third of their remaining earnings in calculating their AFDC eligibility. Now the disregard is limited to the first four months of employment. Other disregards for working AFDC recipients, such as the ones for work expenses and care of dependent children or disabled adults, are also reduced. These changes could have serious consequences for students in areas where local welfare offices treat student grants or work/study assistance as earned income.

When part or all of student aid is counted as earned income, families could also find their eligibility for AFDC reduced or eliminated because of new "standard of need" restrictions. The Reconciliation Act excludes from the AFDC program any family whose income exceeds 150 percent of each state's "standard of need."

Changes in the AFDC program having indirect consequences for students include allowing states to reduce AFDC payments to families receiving food stamps or housing subsidies and excluding families from the program if they have $1,000 in assets other than a home or a car.

Reconciliation provisions affecting AFDC recipients were scheduled to take effect on October 1, 1982, though court appeals and the need for state legislatures to enact conforming legislation have delayed implementation in some cases. States may choose to pay for benefits dropped by the federal government, though state governments have budget problems of their own and are unlikely to take this option.

Medicaid

Medicaid, which is closely linked to AFDC, provides federally-subsidized health care to low-income citizens and their families through matching grants to the states. States are required to provide Medicaid coverage to all AFDC recipients; in addition they may, but are not required to, cover the "medically needy" (the aged, blind or disabled, or families with dependent children whose income is too high for AFDC but who need help with medical costs).

The most important Medicaid change stems from the program's connection to AFDC: students 18 to 21 years old who lose their AFDC eligibility will lose their Medicaid benefits as well. So will AFDC parents who become ineligible for AFDC because of new earning restrictions. As with AFDC, states have the option of continuing coverage for 18 to 21-year olds on their own, an option few are likely to choose.

The Reconciliation Act also loosens restrictions on the 30 states that have elected to provide Medicaid to the medically needy. They no longer must cover all medically needy, and they have the option of refusing coverage to dependents over 17, 18, or 19 years old, instead of having to cover all dependents under 21 in eligible families as before. Also, it is estimated that because of Reconciliation states will receive a billion dollars less in FY 1982 in federal reimbursements for Medicaid than they would have otherwise expected to receive. This decreases the likelihood that they will choose to cover optional groups.

Food Stamps

Few student recipients of Food Stamps remained in the program after the 1980 Food Stamp Amendments placed strict limitations on their eligibility. The number of students receiving Food Stamps dropped from an estimated 200,000 to approximately 50,000 after those amendments became law.

The 1980 Amendments restricted the eligibility of students enrolled in college half-time or more and aged 18-60 to those individuals working at least 20 hours per week or participating in the College Work/Study program during the school year or enrolled in the Work Incentive (WIN) program under AFDC. Also, according to the 1980 changes, the student has to be a head of household, a spouse in a two-parent household, or earning half of the household's income. If students meet all of these conditions, they can qualify for Food Stamps if they meet the program's income test.

Overall, Food Stamp expenditures are expected to be $1.7 billion lower in FY 1982 than in FY 1981, with one million of the program's 22 million recipients likely to lose eligibility altogether. Remaining recipients will find their benefits reduced because of such changes as delaying cost-of-living adjustments, prorating first-month benefits, and restricting deductions and earned-income disregards.

Public Housing Assistance

The two largest federally-sponsored housing assistance programs for low-income citizens provide rent subsidies for families and individuals living in publicly-owned and operated housing projects or in privately-owned (so-called "Section 8") housing. Before the Reconciliation Act, a public housing or Section 8 family paid no more than 5 percent of its gross monthly income or 25 percent of its monthly adjusted income for rent. The Reconciliation Act sets the rate at the highest of: 1) 30 percent of the family's monthly adjusted income, 2) 10 percent of the family's monthly gross income, or 3) that part of a family's welfare payment specifically designated for housing, in states where welfare is adjusted for housing costs.

The Act also changed the way educational costs and subsidies are treated in

determining income. Before Reconciliation, all income from a family member under 18 and from full-time students was disregarded in calculating the family's eligibility, unless the student was the head of household or that person's spouse. All earned income of the latter and of part-time students, including scholarship assistance, was counted as family income. Scholarship aid was broadly defined as any public or private grant or work/study wages. The public housing program, however, excluded from income student aid covering tuition, fees, and books. The Section 8 program disregarded equipment as well. In addition, both programs included an annual deduction of $300 from family income for each family member who was a full-time student.

Reconciliation eliminates the earnings disregard for full-time students as well as the $300 annual deduction. Both changes will presumably lower the eligibility of families with students for housing subsidies and/or discourage dependent full-time students from working.

The Comprehensive Education and Training Act (CETA)

CETA consists of several kinds of programs that can help college students. Public service employment opportunities authorized by Titles IID and VI provide subsidized jobs and training for out-of-work adults. Local CETA sponsors can arrange for the training component to be conducted by colleges. CETA jobholders can also pursue college courses on their own. CETA also provides education and training for 14-22 year olds through such programs as Youth Employment and Training, Job Corps, and the Summer Youth Employment Program. Local sponsors provide a variety of other training programs for adults under CETA auspices.

The major step taken in the Reconciliation Act was to eliminate all CETA public-service employment at the end of FY 1981. Youth employment and adult training are continued, but at reduced levels. The loss of CETA wages is doubtless the most significant of these changes for college students.

Vocational Rehabilitation

Vocational Rehabilitation services, including college training if appropriate, are provided to disabled citizens in an effort to prepare them for gainful employment. These services emerged largely unscathed from Reconciliation. States, however, may have a harder time in the future collecting federal reimbursements when their clients are also receiving federal disability payments, because of new rules allowing reimbursements for these individuals only if the rehabilitation results in "substantial gainful activity for a continuous period of nine months."

HIGHLIGHTS OF 1981 OMNIBUS RECONCILIATION ACT
AND EFFECTS ON POSTSECONDARY STUDENTS

	BEFORE 1981 RECONCILIATION	AFTER 1981 RECONCILIATION
Social Security	Full-time, unmarried students under the age of 22 received an average benefit of $259 a month in 1981, based on the death, disability, or retirement of a parent eligible for Social Security.	No one enrolling in college after April 30, 1982, will be eligible. Those receiving benefits for the first time after August 31, 1981, will be dropped in July 1982. Other current beneficiaries will continue to receive benefits until they leave school or turn 22, but their benefit levels will be cut by 25 percent a year beginning September 1982, and they will not be eligible for yearly cost-of-living increases. After May 1982, students will not be paid benefits for May, June, July, or August. Effect: No benefits for new college students, and benefits for all others (some 700,000 in 1981) phased out over next four years.
		Due to other changes passed by Congress in 1981, Social Security student benefits will be considered as direct student aid rather than family income in the formula for determining eligibility for Pell Grants. Effect: Many students who receive Social Security benefits will find their eligibility for Pell Grants reduced.
Aid to Families with Dependent Children (AFDC)	States could opt to: (1) cover no one over 17, or (2) cover all 18-21 year olds in regular attendance at a secondary or vocational school, college or university.	Federal AFDC payments on behalf of 18-21 year olds in college are eliminated. States may now choose to: (1) cover no one over 17, or (2) cover 18 year olds attending secondary school or receiving an equivalent level of vocational or technical training. Effect: Discourages college enrollment by 18- to 21-year-old AFDC dependents.
	The parent or "caretaker" relative of a child under six was, without restriction, excused from the requirement to register for "manpower services, training, employment, and other employment-related activities." Such parents could participate in college study.	The parent or "caretaker" relative of a child under six shall be allowed only "very brief and infrequent absences" from the child. Otherwise, he or she is required to engage in "manpower services, employment, training, and other employment-related activities." Effect: May preclude college study if class attendance is viewed as requiring excessive absence from child.
	Working AFDC recipients were allowed a disregard of $30 a month plus 1/3 of their remaining earnings in calculating their AFDC eligibility. There was no time limit on this disregard.	The so-called "30 and 1/3" disregard is now limited to the first four months of employment and may not be reinstated unless a qualified applicant has not received AFDC benefits for 12 consecutive months. AFDC families with incomes over 150 percent of each state's "standard of need" are excluded from AFDC benefits. Effect: Reduces AFDC eligibility for employed beneficiaries and for students whose local welfare offices treat grants and work/study assistance as earned income.
	Although parents of children over six were required to register for employment or training, in practice they were sometimes allowed to attend college as part of approved training programs.	A heavy emphasis on "workfare" may bring about stricter adherence to work requirements. States may opt to establish Community Work Experience Programs or Work Supplementation Programs where AFDC recipients work in community service agencies without additional compensation. Effect: Many recipients who are parents of older children may be required to take jobs rather than attend college.

(Continued next page)

HIGHLIGHTS (Continued)

	BEFORE 1981 RECONCILIATION	AFTER 1981 RECONCILIATION
Food Stamps	In addition to meeting an income test, students eligible for Food Stamps had to be at least half-time students, aged 18 to 60, and either working at least 20 hours a week, or enrolled in a work/study program, or participating in a WIN program under AFDC. They also had to be either heads of household, spouses in a two-parent household, or earning half the household's income.	Recipients will experience reductions in benefits brought about by delayed cost-of-living adjustments, prorating of first-month benefits according to date of application, and restrictions on deductions and earned income disregards. Effect: The 50,000 students currently receiving benefits will experience reductions similar to those of other recipients.
Medicaid	Students 18-21 years old who were eligible for AFDC benefits were covered by Medicaid.	With a few exceptions, students 18-21 years old lose their AFDC eligibility and consequently will lose Medicaid coverage. Effect: Loss of Medicaid for many economically disadvantaged students.
	The 30 states that opted to provide Medicaid to the medically needy had to cover all medically needy, including all dependents under 21 in eligible families.	These states are no longer required to cover all the medically needy, and they have the option of refusing to cover dependents over 17, 18, or 19 years of age. Effect: Because of budget cuts, states are likely to reduce or eliminate such coverage.
Public Housing Assistance	A public housing or Section 8 family paid no more than 5 percent of its gross monthly income or 25 percent of its monthly adjusted income for rent.	The rate for tenants is the highest of: (1) 30 percent of the family's monthly adjusted income; (2) 10 percent of its monthly gross income; or (3) that part of its welfare payment specifically designated for housing in states where welfare is adjusted for housing costs. Effect: Higher housing rates for students or families of students in publicly assisted housing.
	All income from full-time students was excluded in calculating a family's eligibility for housing subsidies, except for student heads of household or their spouses. All earned income of the latter and of part-time students, including scholarship assistance, was counted as family income. The public housing program and the Section 8 program differed as to what portion of student aid was to be excluded from income. Both programs allowed annual deduction of $300 for each family member who was a full-time student.	Earnings disregard is eliminated for full-time students as is $300 annual deduction for students. Effect: Lowers eligibility of families with students for housing subsidies and discourages dependents full-time students from working. Treatment of student aid is now uniform across all HUD programs: student aid covering tuition, fees, books, and equipment is excluded from family income. Effect: Simplifies calculation of income disregards for determining eligibility for public housing assistance.
CETA	Under CETA, public service employment opportunities provided subsidized jobs and training for out-of-work adults. Local CETA sponsors could arrange for training to be conducted by colleges. CETA job holders could also take college courses on their own.	All CETA public service employment is eliminated. Youth employment and adult training are continued at reduced levels. Effects: Loss of CETA wages for college students and decreased participation in college training as a part of other adult and youth employment programs.
Voc. Rehab.	The federal government reimbursed state vocational rehabilitation agencies for rehabilitation services to recipients of federal disability payments, without stipulating that those served be employed for a specified time.	Such reimbursements may be made only if the services to clients result in their performance of "substantial gainful activity" for a continuous period of nine months. Effect: Discourages state vocational rehabilitation agencies from serving clients receiving federal disability aid, including students and prospective students, because of increased followup responsibilities and risk of losing reimbursement funds.